

**SHREVEPORT-BOSSIER RESCUE MISSION, INC.**

**SHREVEPORT, LOUISIANA**

**JUNE 30, 2011 AND 2010**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **FEB 15 2012**

**SHREVEPORT-BOSSIER RESCUE MISSION, INC.**

**SHREVEPORT, LOUISIANA**

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**(Modified Cash Basis)**

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**AUDITED FINANCIAL STATEMENTS**

# HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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SHREVEPORT, LOUISIANA 71101  
318-429-1525 PHONE 318-429-2070 FAX

December 21, 2011

To the Board of Directors  
Shreveport-Bossier Rescue Mission, Inc  
Shreveport, Louisiana

## Independent Auditor's Report

We have audited the accompanying statements of financial position, modified cash basis, of Shreveport-Bossier Rescue Mission, Inc. (a nonprofit organization) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows, modified cash basis, for the years then ended. These financial statements are the responsibility of the management of Shreveport-Bossier Rescue Mission, Inc. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1(b), these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shreveport-Bossier Rescue Mission, Inc. as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, on the basis of accounting described in Note 1(b).

In accordance with *Government Auditing Standards*, we have also issued a report dated December 21, 2011, on our consideration of Shreveport-Bossier Rescue Mission, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Heard, McElroy & Vestal, LLC*

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SHREVEPORT-BOSSIER RESCUE MISSION, INC

STATEMENTS OF FINANCIAL POSITION  
(Modified Cash Basis)

JUNE 30, 2011 AND 2010

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
<u>Current assets</u>		
Cash and cash equivalents (Note 4)	1,013,749	1,059,908
Investments (Notes 2 and 3)	608,608	586,007
Grants receivable	<u>29,919</u>	<u>-</u>
Total current assets	1,652,276	1,645,915
<u>Fixed assets</u>		
Land	519,864	419,864
Building and improvements	4,102,389	3,985,533
Furniture and equipment	481,124	418,038
Transportation equipment	80,338	80,338
<del>Less-accumulated depreciation</del>	<u>(819,309)</u>	<u>(674,538)</u>
Book value of fixed assets	<u>4,364,406</u>	<u>4,229,235</u>
 Total assets	 <u>6,016,682</u>	 <u>5,875,150</u>

The accompanying notes are an integral part of the financial statements

<u>LIABILITIES AND NET ASSETS</u>	<u>2011</u>	<u>2010</u>
<u>Current liabilities</u>		
Payroll taxes payable	105	105
Sales taxes payable	1,801	1,921
Notes payable-current portion (Note 3)	53,281	50,759
Contributions payable (Note 8)	<u>50,000</u>	<u>-</u>
Total current liabilities	105,187	52,785
<u>Long-term liabilities</u>		
Notes payable (Note 3)	<u>1,510,166</u>	<u>1,563,447</u>
Total liabilities	1,615,353	1,616,232
<u>Net assets</u>		
Unrestricted (deficit)	(41,010)	(44,314)
Investment in fixed assets	<u>4,364,406</u>	<u>4,229,235</u>
Total unrestricted net assets	4,323,396	4,184,921
Temporarily restricted-building	27,933	23,997
Temporarily restricted-enterprise	<u>50,000</u>	<u>50,000</u>
Total temporarily restricted net assets	<u>77,933</u>	<u>73,997</u>
Total net assets	<u>4,401,329</u>	<u>4,258,918</u>
Total liabilities and net assets	<u>6,016,682</u>	<u>5,875,150</u>

**SHREVEPORT-BOSSIER RESCUE MISSION, INC.**

**STATEMENTS OF ACTIVITIES**  
**(Modified Cash Basis)**

**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b><u>Revenue and other support</u></b>			
Contributions (Note 5)	1,250,462	104,695	1,355,157
Fundraising	241,001	-	241,001
Grants (Note 6)	328,448	-	328,448
Program service revenue	180,452	-	180,452
Thrift Store and Enterprise Operations	353,991	-	353,991
Interest and dividends	25,630	-	25,630
Loss on sale of investments	4,226	-	4,226
Miscellaneous income	34,308	-	34,308
Total revenue and other support	2,418,518	104,695	2,523,213
Net assets released from restrictions	100,759	(100,759)	-
	2,519,277	3,936	2,523,213
<b><u>Expenses</u></b>			
Program services	1,137,155	-	1,137,155
General and administrative	975,557	-	975,557
Enterprise	268,090	-	268,090
Total expenses	2,380,802	-	2,380,802
<b><u>Change in net assets</u></b>	138,475	3,936	142,411
<b><u>Net assets-beginning of year</u></b>	4,184,921	73,997	4,258,918
<b><u>Net assets-end of year</u></b>	4,323,396	77,933	4,401,329

The accompanying notes are an integral part of the financial statements

2010		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
1,216,253	100,750	1,317,003
69,282	-	69,282
120,945	-	120,945
120,444	-	120,444
337,047	-	337,047
17,005	-	17,005
(71,533)	-	(71,533)
16,264	-	16,264
1,825,707	100,750	1,926,457
70,951	(70,951)	-
1,896,658	29,799	1,926,457
961,951	-	961,951
826,621	-	826,621
368,004	-	368,004
2,156,576	-	2,156,576
(259,918)	29,799	(230,119)
4,444,839	44,198	4,489,037
4,184,921	73,997	4,258,918



SHREVEPORT-BOSSIER RESCUE MISSION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES  
(Modified Cash Basis)

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011			
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Enterprise</u>	<u>Total Expenses</u>
Advertising/development	-	59,681	-	59,681
Building and maintenance	8,636	47,548	3,227	59,411
Conferences and meetings	-	-	-	-
Depreciation	-	144,771	-	144,771
Dues and subscriptions	(12)	7,218	-	7,206
Insurance	-	196,553	-	196,553
Interest and service charges	73,203	14,787	13,357	101,347
Miscellaneous	19,596	43,495	1,900	64,991
Payroll and related expenses	507,352	394,891	182,169	1,084,412
Printing and postage	135	8,710	-	8,845
Special events	254,573	178	729	255,480
Supplies	138,366	30,394	42,018	210,778
Telephone and utilities	100,550	20,310	18,348	139,208
Vehicle operations	<u>34,756</u>	<u>7,021</u>	<u>6,342</u>	<u>48,119</u>
Total expenses	<u>1,137,155</u>	<u>975,557</u>	<u>268,090</u>	<u>2,380,802</u>

The accompanying notes are an integral part of the financial statements

2010			
<u>Program Services</u>	<u>General and Administrative</u>	<u>Enterprise</u>	<u>Total Expenses</u>
-	66,236	-	66,236
5,765	36,466	5,592	47,823
-	36	-	36
-	141,318	-	141,318
519	9,120	-	9,639
398	115,114	481	115,993
76,449	15,442	13,950	105,841
18,720	14,725	1,358	34,803
520,066	355,316	271,573	1,146,955
-	16,844	38	16,882
48,228	804	-	49,032
137,911	24,114	46,930	208,955
116,797	23,592	21,313	161,702
<u>37,098</u>	<u>7,494</u>	<u>6,769</u>	<u>51,361</u>
<u>961,951</u>	<u>826,621</u>	<u>368,004</u>	<u>2,156,576</u>

SHREVEPORT-BOSSIER RESCUE MISSION, INC.

STATEMENTS OF CASH FLOWS

(Modified Cash Basis)

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>Cash flows from operating activities</u>		
Change in net assets	142,411	(230,119)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	144,771	141,318
Increase (decrease) in		
Grants Receivable	(29,919)	-
Accounts payable	-	(1,823)
Payroll taxes payable	-	(1,101)
Property taxes payable	-	(2,517)
Sales taxes payable	(120)	
Contributions payable	50,000	-
Net redemptions of investments	<u>(22,601)</u>	<u>65,720</u>
Net cash provided (used) by operating activities	284,542	(28,522)
<u>Cash flows from investing activities</u>		
Purchase of property and equipment	<u>(279,942)</u>	<u>(864)</u>
Net cash (used) by investing activities	(279,942)	(864)
<u>Cash flows from financing activities</u>		
Proceeds from borrowing	-	-
Payments on bank loan	<u>(50,759)</u>	<u>(47,755)</u>
Net cash (used) by financing activities	<u>(50,759)</u>	<u>(47,755)</u>
<u>Net (decrease) in cash and cash equivalents</u>	(46,159)	(77,141)
<u>Cash and cash equivalents at beginning of year</u>	<u>1,059,908</u>	<u>1,137,049</u>
<u>Cash and cash equivalents at end of year</u>	<u>1,013,749</u>	<u>1,059,908</u>
<u>Interest paid</u>	<u>93,478</u>	<u>103,118</u>

The accompanying notes are an integral part of the financial statements

**SHREVEPORT-BOSSIER RESCUE MISSION, INC**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011 AND 2010**

**1. Summary of Significant Accounting Policies**

The significant accounting policies followed by the Mission and the methods of applying those policies which materially affect the determination of financial position, changes in financial position, or changes in net assets are summarized below.

***(a) Organization***

The Shreveport-Bossier Rescue Mission, Inc. is incorporated as a nonprofit organization under the laws of the State of Louisiana for the purpose of providing rehabilitation and educational programs for disadvantaged men, women and children

***(b) Accounting Method***

The accompanying statements are presented on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The modified cash basis is a hybrid method that combines features of both the cash basis and the accrual basis of accounting. Under the modified cash basis of accounting, revenue is recognized when received rather than when earned, and expenses are recognized when paid rather than when the related obligations are incurred. In addition to cash transactions, modified cash basis statements include capitalization of long-term assets, accumulated depreciation and certain debt and other liabilities. During 2011, the Mission incurred approximately \$29,919 in expenses relating to a cost reimbursement grant. Since the expenses were reimbursed after year end the Mission chose to book the revenue and accounts receivable in the current year.

***(c) Use of estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***(d) Property, Plant and Equipment***

Beginning in 1994, the Mission began capitalizing the acquisition cost of land, buildings, furniture and equipment. Acquisitions in prior years were expensed in the year of acquisition.

Depreciation expense is calculated based upon the assets' estimated useful lives using the straight line method. Useful lives at June 30, 2011 are as follows.

Buildings and renovation	40 years
Furniture and equipment	5-10 years
Transportation equipment	5 years

**1. Summary of Significant Accounting Policies (Continued)**

**(e) *Liabilities***

Unremitted withheld payroll taxes and unremitted sales tax collected from customers of the Thrift Store are recognized as liabilities on the Statement of Financial Position

**(f) *Tax Status***

The Shreveport Bossier Rescue Mission qualifies as a tax-exempt organization as described in the Internal Revenue Service Code Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying statement. Contributions to the Mission are deductible as charitable contributions under Internal Revenue Code Section 170

The Shreveport-Bossier Rescue Mission is required to review various tax positions it has taken with respect to its exempt status and determine whether in fact it continues to qualify as a tax exempt entity. It must also consider whether it has nexus in jurisdictions in which it has income and whether a tax return is required in those jurisdictions. In addition, as a tax exempt entity, the Shreveport-Bossier Rescue Mission must assess whether it has any tax positions associated with unrelated business income subject to income tax. The Shreveport-Bossier Rescue Mission does not expect any of its tax positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in the Shreveport-Bossier Rescue Mission's accounting records.

The Shreveport-Bossier Rescue Mission is required to file U.S. federal Form 990 for informational purposes. Its federal income tax returns for the tax years 2008 and beyond remain subject to examination by the Internal Revenue Service.

**(g) *Functional Expenses***

Functional expenses have been allocated between Program Services, General and Administrative, and Enterprise based on an analysis of personnel time and space utilized for the related activities, excluding depreciation which is all allocated to general and administrative expense.

**(h) *Financial Statement Presentation***

The Mission is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

**(i) *Revenue Recognition***

Contributions and other revenues are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

1. **Summary of Significant Accounting Policies** (Continued)

Included in the temporarily restricted net assets of the Mission are funds for the Hope Foundation, the Children's ministry, a new enterprise operation, and building renovations. All other net assets are considered unrestricted. The Mission does not have any permanently restricted net assets.

(j) ***Advertising and Development Costs***

Advertising and development costs are expensed as incurred. Advertising expense was \$59,681 and \$66,236 for the years ended June 30, 2011 and 2010, respectively. Included in these amounts are costs of direct mail solicitation programs for donations and planned giving opportunities. Expenses related to special events for fundraising were \$8,359 and \$49,032 for the years ended June 30, 2011 and 2010, respectively.

(k) ***Cash***

The Mission considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

(l) ***Investments***

The Mission prepares its financial statements on the modified cash basis of accounting and reports its investments at cost.

2. **Investments**

The value of the investments at June 30, 2011 and 2010 is summarized as follows:

	<u>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Morgan Keegan (Master's Fund)	<u>608,608</u>	<u>663,125</u>	<u>586,007</u>	<u>603,387</u>

3. **Notes Payable**

	<u>2011</u>	<u>2010</u>
A line of credit for construction in process on the new facility was refinanced to a long-term construction note on 5/13/09. The note matures on 5/20/14, and bears a 5.830% interest rate. Secured by a building.	1,427,916	1,471,540
Note payable to finance the building for Thrift Store operations due 3/12/14, bearing interest at 5.5%. Secured by investments.	<u>135,531</u>	<u>142,666</u>
Total long-term debt	1,563,447	1,614,206
Less: Current maturities of long-term debt	<u>53,281</u>	<u>50,759</u>
Long-term debt less current portion	<u>1,510,166</u>	<u>1,563,447</u>

3. **Notes Payable** (Continued)

Schedule of maturities is as follows

<u>Year Ended June 30</u>	<u>Amount</u>
2012	53,281
2013	56,910
2014	1,453,256
2015	-
2016	-
Thereafter	-
	<u>1,563,447</u>

4. **Concentration of Credit Risk**

The Mission, at times, maintains deposits in federally insured financial institutions in excess of federally insured limits. Management monitors the soundness of these financial institutions and feels the Missions' risk is negligible.

5. **Contributions Received**

During the years ended June 30, 2011 and 2010, contributions were received from the following sources

	<u>2011</u>	<u>2010</u>
Unrestricted:		
Churches and church groups	87,230	93,289
Individuals	909,396	826,599
Businesses and organizations	141,218	124,406
Memorials, honorariums and bequests	<u>112,618</u>	<u>171,959</u>
Total unrestricted	1,250,462	1,216,253
Temporarily restricted		
Building	54,695	50,750
Enterprise	-	50,000
Children's Ministry	<u>50,000</u>	<u>-</u>
Total temporarily restricted	<u>104,695</u>	<u>100,750</u>
Total contributions received	<u>1,355,157</u>	<u>1,317,003</u>

6. **Grants Received**

Federal grant was received under the Emergency Food and Shelter Program (FEMA)	22,790	37,534
Federal Emergency Shelter grants received	7,104	26,022
Homelessness Prevention and Rapid re-housing grants received	250,504	7,988
Grants received from the Community Foundation	11,000	16,000
Grants received from the United Way of North Louisiana	<u>37,050</u>	<u>33,401</u>
Total grants received	<u>328,448</u>	<u>120,945</u>

**7. Donated Materials, Equipment and Services**

During the course of operations, the Mission receives donations of material and equipment from many businesses and individuals. While the Mission recognizes the importance of the volunteers and the donated material and equipment, no objective basis for valuation of these items was determined and they are not included in the financial statements.

**8. Contributions Payable**

During the 2011 fiscal year the Mission received \$50,000 in contributions that were designated to another not-for-profit organization. The Mission is currently holding these funds until operations at the designated entity commence.

**9. Subsequent Events**

The Mission is required to evaluate events or transactions that may occur after the date of the statement of financial position for potential recognition or disclosure in the financial statements. The Mission performed such an evaluation through December 31, 2011, the date the financial statements were available to be issued noting no significant items to be disclosed.



OTHER FINANCIAL INFORMATION

# HEARD, McELROY, & VESTAL

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December 21, 2011

To the Board of Directors  
Shreveport-Bossier Rescue Mission, Inc  
Shreveport, Louisiana

## Independent Auditor's Report on Other Financial Information

Our report on our audits of the basic financial statements of Shreveport-Bossier Rescue Mission, Inc for 2011 and 2010 appear on Page 1. Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information included on Page 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Heard, McElroy & Vestal, LLC*

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**SHREVEPORT-BOSSIER RESCUE MISSION, INC**  
**STATEMENTS OF REVENUES AND EXPENSES FOR THRIFT STORE**  
**AND ENTERPRISE OPERATIONS FOR THE YEARS**  
**ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b><u>Revenues:</u></b>		
Sales	353,911	333,843
Delivery charges	-	<u>3,204</u>
Total revenues	<u>353,911</u>	<u>337,047</u>
<b><u>Expenses:</u></b>		
Building and maintenance	3,227	5,592
Computer expense	-	181
Insurance	-	481
Interest	13,357	13,950
Miscellaneous	1,900	957
Payroll	182,169	271,573
Printing and postage	-	38
Supplies	42,018	46,930
Special Events	729	-
Taxes and licenses	-	221
Telephone and utilities	18,348	21,312
Vehicle operations	<u>6,342</u>	<u>6,769</u>
Total expenses	<u>268,090</u>	<u>368,004</u>
Net increase from Thrift Store and Enterprise Operations	<u><u>85,821</u></u>	<u><u>(30,957)</u></u>

OTHER REPORTS

# HEARD, McELROY, & VESTAL

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December 21, 2011

To the Board of Directors  
Shreveport-Bossier Rescue Mission, Inc  
Shreveport, Louisiana

**Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

We have audited the financial statements of Shreveport-Bossier Rescue Mission, Inc. as of and for the year ended June 30, 2011, and have issued our report thereon dated December 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States

## **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Shreveport-Bossier Rescue Mission, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal controls over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider deficiency 2011-02 in the accompanying schedule of findings and questioned costs to be a material weakness.

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## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shreveport-Bossier Rescue Mission, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance noted in the "Schedule of Findings & Questioned Costs" Section 2011-01 that is required under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors and Management of Shreveport-Bossier Rescue Mission, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Heard, McElroy, & Vestal, LLC

**SHREVEPORT-BOSSIER RESCUE MISSION, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**I      Summary of Audit Results**

- 1    The auditor's report expresses an unqualified opinion on the financial statements of Shreveport-Bossier Rescue Mission, Inc
- 2    One significant deficiency, which is also a material weakness, is reported
- 3    One instance of noncompliance was disclosed during the audit.
- 4    Shreveport-Bossier Rescue Mission, Inc. is not subject to a Federal Single audit for 2011.

**II     Findings – Financial Statement Audit**

**2011-01 Noncompliance**

***Condition*** The Mission's financial statements are prepared using the modified cash basis instead of generally accepted accounting principles.

***Criteria*** Louisiana Revised Statute 24:514 requires that the financial statements that are submitted to the Legislative Auditor be prepared in accordance with generally accepted accounting principles

***Cause*** The Mission was unaware of the requirement to report based upon generally accepted accounting principles

***Effect*** The Mission is violating state law by not complying with the requirement

***Recommendation*** The Mission should report its June 30, 2012 financial statements based upon generally accepted accounting principles

***Management Response*** The June 30, 2012 financial statements will be prepared under generally accepted accounting principles

**2011-02 Material Weakness**

***Condition:*** As is common in small operations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare the Organization's annual financial statements. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles have not been established, nor has management demonstrated an ability to perform these functions in house

**Criteria** Pursuant to the requirements of AU Section 325, "Communicating Internal Control Related Matters Identified in an Audit," this condition represents a control deficiency that is also considered to be a material weakness in internal controls

**Effect:** The Organization does not have the resources (i.e. internal controls and expertise) to prepare the annual financial statements, complete with notes and free of material misstatement, in accordance with generally acceptable accounting principles. The auditor prepared the annual financial statements

**Recommendation** Whether or not it would be cost effective to cure a control deficiency is not a factor in applying the reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all deficiencies an auditor reports under AU Section 325. In this case, we do not believe that curing the material weakness described would be cost effective or practical and accordingly, do not believe any corrective action is necessary.

**Management Response** As noted above, no recommendation is made and no corrective action is necessary.



SHREVEPORT-BOSSIER RESCUE MISSION, INC

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2011

2010-01 Noncompliance

The engagement was not completed and transmitted to the Louisiana Legislative Auditor's office by December 31, 2010. This condition was resolved for the June 30, 2011 engagement.

2010-02 Material Weakness

As is common in small operations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare the Organization's annual financial statements. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles have not been established, nor has management demonstrated an ability to perform these functions in house. This condition is repeated as 2011-02.